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FRESNO, CALIFORNIA, ELECTRICAL CONTRACTOR PLEADS GUILTY TO BID RIGGING ON TWO E-RATE FUNDED SCHOOL TECHNOLOGY PROJECTS

Company Agrees to Pay \$3.3 Million in Criminal Fines, Restitution and Civil Settlement For Role in Bid Rigging Conspiracy

WASHINGTON — A Fresno, Calif., electrical contractor pleaded guilty and has agreed to pay \$3.3 million in criminal fines and restitution for rigging bids on Federal Communication Commission (FCC) E-Rate technology projects involving two Fresno-area schools, the Department of Justice's Antitrust Division and the U.S. Attorney's Office in San Francisco announced today.

Howe Electric Inc. pleaded guilty today in U.S. District Court in San Francisco for its role in two separate conspiracies to rig bids to two Fresno-area schools by obtaining agreements from potential competitors not to compete against Howe Electric in return for Howe Electric's agreement to use those competitors as sub-contractors on the projects. The first conspiracy began in November 1998 and continued at least until June 2001, and the second conspiracy began in November 1999 and continued at least until July 2001. Howe Electric will pay a total of \$300,000 in criminal fines and \$3 million in restitution and civil settlement. The plea agreement, fines and restitution are subject to court approval.

On April 7, 2005, a federal grand jury in San Francisco returned an indictment against Howe Electric for its role in a conspiracy relating to E-Rate projects in schools in California. If accepted by the court, today's plea agreement resolves the Division's antitrust concerns involving Howe Electric.

E-Rate, a program authorized by Congress in the Telecommunications Act of 1996, provides funding to economically disadvantaged school districts and libraries to connect to and utilize the Internet. Under the E-Rate program, schools can receive money for cabling, Internet backbone equipment (i.e., servers, PBXs and switches) and monthly Internet and telephone connectivity service.

"The Antitrust Division will investigate and prosecute those who subvert the competitive processes crucial for the effective operation of the E-Rate program," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division.

During the conspiracies, Howe Electric entered into agreements with a co-conspirator, former education consultant Judy N. Green, whereby Howe Electric was awarded contracts for the E-Rate projects at the West Fresno Elementary School District and the W.E.B. DuBois Charter School in exchange for awarding subcontracts to other vendors. The co-conspirator vendors had the capability to bid against Howe Electric on the projects but had agreed with Green not to compete in exchange for the award of the subcontracts. In both conspiracies, Green arranged for the schools' projects to be awarded to Howe Electric, which then used the vendors as subcontractors. After completion of the projects, Howe Electric requested and received reimbursement from the E-Rate program for the work that it and the subcontractor vendors performed at the schools. Green was convicted and sentenced to serve 7 ½ years in prison for her role in the E-Rate conspiracies.

As a result of the Antitrust Division's investigation into fraud and anticompetitive conduct in the E-Rate program, a total of seven companies and 16 individuals have pleaded guilty, have been convicted and found guilty, or entered civil settlements, resulting in more than \$40 million in criminal fines, civil settlements and restitution and jail sentences totaling nearly 29 years. Trials are currently pending in three additional E-Rate cases, and one individual remains an international fugitive.

Howe Electric is charged with violating the Sherman Act, which carries a maximum fine of \$10 million for companies for violations occurring before June 22, 2004. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Today's plea is the result of a joint investigation by the Antitrust Division's Cleveland and San Francisco Offices; the Los Angeles, San Francisco and Fresno Offices of the Federal Bureau of Investigation (FBI); and the FCC's Office of Inspector General. Anyone with information concerning fraud or anti-competitive conduct in the E-Rate program should contact the Cleveland Field Office of the Antitrust Division at 216-687-8400 or the FBI's San Francisco Office at 415-553-7674.

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